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NEW JERSEY DEPARTMENT OF THE TREASURY

LOCAL GOVERNMENT BUDGET REVIEW

SUSSEX COUNTY MUNICIPAL UTILITIES AUTHORITY

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INTRODUCTION

On May 1, 1997, the United States Court of Appeals for the Third Circuit affirmed a District Court Ruling in Atlantic Coast Demolition and Recycling v. Bd. of Freeholders, Atlantic County, 112 F.3rd 642, that a principal element of the State of New Jersey's waste flow control regulations, specifically N.J.A.C. 7:26-6.5, is unconstitutional as it discriminates against out-of-state operators of waste disposal facilities. The Third Circuit also eliminated the two year transition period established by the District Court. On November 10, 1997, the United States Supreme Court denied the State's petition for certiorari such that the Third Circuit's decision is final. In order to provide an orderly transition to waste disposal options, each of the state's 21 counties and the Hackensack Meadowlands Development Commission must re-evaluate its solid waste strategy and develop plans that address their own specific long-term solid waste disposal needs.

The federal court decisions have had an immediate pricing impact on disposal rates in the region. Public and private landfills, along with the five Resource Recovery Facilities (RRF) in the state, have reduced solid waste tipping fees in an attempt to become market competitive and sustain their current share of the solid waste. This reduction in the tipping fee is having an impact on the ability to continue to provide environmentally sound solid waste disposal services at the lowest possible cost. Long term planning for solid waste disposal services is vital to satisfy the dual obligations to dispose of solid waste in an environmentally responsible manner and to minimize solid waste disposal costs. Tipping fees must become market competitive, and special revenue sources will be required until the county or county authority can implement the plans necessary to streamline its costs while meeting all its operational and debt service requirements.

Since 1998, when the original audit team first visited the SCMUA's Solid Waste Facilities, significant changes have taken place that should be noted. Tonnage received has increased from 64,329 tons in FY1998 to 95,572 tons in FY2000, a 48.6% increase. During this same period, revenues have increased from \$4,250,695 to \$6,695,035, a 57.5% increase, due to the increase in tonnages and adjustments to tipping fees. Additionally, efforts have been made to reduce expenses through reductions in staffing levels. Specifically, reductions in administrative support, data systems, maintenance, and scale house personnel have been implemented since the audit team's visit.

OPPORTUNITIES FOR CHANGE

Solid Waste Partnership Program The Report of the Sussex County Municipal Utilities Authority (SCMUA) Budget Review Team

In response to the Atlantic Coast decision, the Whitman Administration established the Solid Waste Partnership Agreement Program to assist counties and county authorities to streamline operating costs, temporarily stabilize tipping fees, and re-evaluate long term waste management strategies.

As part of the Solid Waste Partnership Agreement Program, the state budget authorizes the state to “subsidize county or county authority debt service payments for environmental investments incurred as of June 30, 1997...in accordance with criteria and program guidelines established by the Commissioners of DEP, DCA and the State Treasurer... Expenditure of such funds is conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority, and such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer.”

The focus of the Partnership Agreement Program utility reviews is short term; it is intended to help counties and county utility authorities maintain the ability to meet debt obligations in a changing market, while developing and implementing long term operational plans. The efforts to reduce the cost of solid waste disposal have focused on the re-negotiations of existing agreements, administrative reductions and the possible retirement and/or restructuring of outstanding obligations. The county or county authority must also maximize all other income potential to mitigate unanticipated market changes.

This review and report was completed in response to the Sussex County Municipal Utilities Authority (SCMUA) choosing to participate in this special review program. This is the first step in the re-evaluation of solid waste strategies with the state’s assistance. This report provides a starting point for further discussions between the SCMUA, its professional staffs, consultants, the county and the state in order to develop a final partnership agreement. A final Partnership Agreement will be executed by the Department of the Treasury, Sussex County and the SCMUA.

The SCMUA has been diligent in attempting to implement an efficient, effective and environmentally sound solid waste disposal and recycling system for the taxpayers of Sussex County, as mandated under the Solid Waste Management Act. The State, County and SCMUA will continue to explore all opportunities to reduce costs and maximize revenue sources, while ensuring the goals and objectives of public policy are fulfilled.

BACKGROUND

Sussex County Municipal Utilities Authority (“SCMUA”) must be part of a regional solid waste management solution. The market forces eroding the authority’s competitive advantage are developing as a regional force that will undermine SCMUA’s ability to survive in a competitive market environment under its present self-sufficient mode.

Since the Federal Court decision which declared New Jersey’s regulations over flow control to be discriminatory against out-of-state facilities, the authority had to follow along as other county solid waste authorities reduced their tipping fees. SCMUA was able to maintain its market share through the benefit of proximity and short hauling costs. Warren County’s Resource Recovery Facility (“RRF”) has gone after the spot market and other out-of-county municipal waste that is not under contract with in-county solid waste programs. At the time of the review, Warren charged a \$48 per ton tipping fee, whereas, SCMUA charged \$58 per ton. In effect, were fees are comparable in that hauling costs make up the difference between the tipping fees for total costs which are roughly equivalent. However, Warren County began offering a discount at the point of billing that lowered the tipping fee substantially to \$36 per ton. As a result, the SCMUA saw a 35% drop in solid waste deliveries since the latter part of January, 1998, until recently. The SCMUA had no way of controlling this erosion of market share. However, in 1999, Warren County ceased taking excess municipal waste into its landfill in an effort to preserve landfill space and return to its desire to become an ash-only facility. The effect on the SCMUA, along with rising fuel prices that could make the cost of hauling prohibitive, is that in 2000, the authority projects tonnages of 90,000 into its landfill. This is the highest amount of tonnage received in the landfill, and is expected to continue.

NOTE: Four communities collect their own and six contract with a hauler to send their tonnage to the SCMUA. The remaining fourteen communities ask each property owner to contract with a private hauler for pickup or each resident deposit their residential garbage at the SCMUA at the residential scale.

As the following pages explain, Waste Management, a hauler that controls 60% of the solid waste market in Sussex County, is developing a multi-county client base for the collection and hauling of solid waste. Warren had the most aggressive rates for attracting tonnage at \$36 per ton which was a short-term spot market price and Waste Management has been taking advantage of the price break.

It is recommended that the Sussex County Freeholders consider reaching out to Warren County’s Pollution Control Financing Authority (“PCFA”) to initiate a relationship that may be in the best interests of both counties for resolving the debt crisis problem. The issues that support such a move include:

- Waste Managements’ obvious business strategy to gain control of three landfills in Pennsylvania and their dominance in the Sussex County area.
- Waste Managements’ dominance of service at the Warren County landfill.

- Waste Managements' stated interest in gaining control of a transfer station in Morris County.
- Warren County's desire to only attract ash.
- Warren County RRF's aggressive strategy to attract tonnage by undercutting its neighboring counties and Pennsylvania landfills tipping fees.
- Sussex County's desire to extend the life of the SCMUA landfill by restricting access to only in-county solid waste.
- Sussex County's potential to lose solid waste to Warren County's RRF based on Warren's ability to substantially lower its tipping fee.
- Sussex County's less organized recycling program which relies on individual drop off that is in sharp contrast to Warren County's structured pickup program.

The creation of a regional two-county solution would result in a solid waste disposal system which incorporates existing conditions encompassing:

- 1) an RRF;
- 2) an ash disposal landfill;
- 3) a landfill that will accept municipal solid waste, non-contaminated soil, bulky waste, asbestos, construction debris, vegetative debris;
- 4) a solid waste collection and hauling contractor that dominates the market in those two counties;
- 5) the flexibility to attract loads on the spot market if a minimum tonnage quantity is not delivered to meet expenditures; and
- 6) a landfill solution if the RRF needs to be bypassed due to a problem at the facility.

To conclude, with the SCMUA's current inability to meet all debt service and operational costs, the County Board of Chosen Freeholders and the Board of Commissioners of the SCMUA must initiate proceedings to terminate the loss of revenue. We understand that many of the actions recommended would require a solid waste management plan amendment. The following report recommends the sale of the landfill as the optimum choice based on the fact that the facility is presently not generating adequate revenue to meet operating expenses on top of the existing unfunded annual debt obligation.

We understand that the County Freeholders voted unanimously to not sell the landfill since they consider the facility a critical asset of the County. In response to that vote, a discussion of what would be necessary to retain the landfill as a self-liquidating asset immediately follows the recommendation for selling the landfill.

As in prior reports (UCUA of Union County and PCFA of Warren County) prepared by Local Government Budget Review (“LGBR”) to measure progress toward the stated goal of reducing the tipping fee, a benchmark is established for comparative purposes. For the SCMUA, every \$80,000 in cost reductions, cost reallocations, or revenue enhancements, the tipping fee can be reduced by approximately \$1. Based on the difference between SCMUA’s previous tip fee rate of \$103 per ton (\$93 per ton in FY2000) and the solid waste-tipping fee of \$58 per ton (an average of \$70 per ton in FY2000), the authority would need to reduce its annual expenditure obligations by \$3.6 million yielding a \$45 reduction in the tipping fee per ton.

The Sussex County Municipal Utilities Authority (“SCMUA”) comprises three service elements: The Upper Wallkill Facilities which consists of a 3.0 million gallon per day (“GPD”) sewage treatment plant and sewage transmission system; the Hampton Commons Facility which consists of a 50,000 GPD sewage treatment plant for a 300 unit development; and the Solid Waste Facilities which consists of a state of the art sanitary landfill on 51 acres, bulky waste recycling facility, 150,000 gallon leachate storage tank, and related support structures, facilities and equipment. The Upper Wallkill Facilities provides sanitary treatment of the SCMUA’s landfill leachate that is expected to total to 13 million gallons in 1997.

An agreement to authorize construction and operation of a solid waste district to collect, treat, recycle and dispose of solid waste and to establish service charges was entered into on April 28, 1987. The initial operation of the Sussex County landfill was initiated on February 20, 1990.

The result of the United States Supreme Court decision has placed the public solid waste disposal entities in the State of New Jersey in the untenable position of becoming competitive against private sector as well as other public sector disposal interests. This necessitates both downsizing operations and expanding the market area that the authority can serve in line with lower tipping fees and less free service considerations to local governments. The only alternative to being competitive at this time is to identify an alternate revenue source that is higher than it would need to be if a market sector philosophy were being followed (i.e., increase market share by attracting out-of-county waste, publicize and market service advantages available through the authority, invest in technology to increase efficiency and lower operating costs). Revisions to County Solid Waste Management Plans must take into account all opportunities to lower non-debt service related costs in order to minimize the need to identify this revenue source needed to pay annually against the stranded debt. This also includes maximizing revenue by increasing the tip fee to the top end of market rate to improve the ability to make debt service payments.

The SCMUA Board Members and Sussex County Board of Chosen Freeholders have stated that they presently plan to continue the current in-county emphasis on solid waste generation and will limit/discourage solid waste from out-of-county sources.

At the time of the review, the rate was \$58 per ton, and debt service needs were not being funded.

NOTE: The Administrator of the Authority indicated that solid waste deliveries have fallen off by 35% (1,400 tons to 910 tons per week) due to deliveries being made

to Warren County's RRF beginning in mid-January, 1998. This had a definite impact on the Authority's revenue projections for 1998. For fiscal year 2000 and 2001, approximately 90,000 tons are anticipated for budget purposes. Even so, the authority's solid waste management operation is not self-sustaining.

The SCMUA has recently proposed, and the Board of Chosen Freeholders approved, building a new cell (Phase 2B) which will be ten acres in size and projected to have a useful life of seven years. The cell is being built at a cost of \$5.2 million, not including costs of financing. The landfill is designed to be filled in three phases. The Phase 1 area, divided in Phase 1A and Phase 1B, was complete as of December, 1997. The Phase 2A cell is about ten acres and is projected to be full as early as March 1, 2002, based on present tonnage received. The Phase 2B landfill is necessary to provide disposal space after March, 2002. The SCMUA is planning on using the NJDEP/Trust funding program for landfill expansion. Authority officials project a net revenue over the life of the bond issue to be \$10,690,000 (after payment of debt service, operating expenses and capping costs), based on about 94,000 tons received annually at the landfill, at an average rate of \$70 per ton. The \$10.6 million in excess funds will be applied to the repayment of debt service. Officials also inform us that the New Jersey Environmental Infrastructure Trust program is aware of the project, and has expressed an intent to provide low interest financing. During the life of the Phase 2B cell, the outstanding debt will be reduced from \$41,281,627 to \$22,539,899. Phase 3 would be the final landfill phase, with a projected cell life of 7 years (2009 – 2015).

The authority is requesting the Infrastructure Trust to accept subordinate debt from the authority to eliminate the bond reserve fund requirement. If this is not approved, the authority will have to issue bonds to finance this reserve. Therefore, the maximum amount to be authorized by this project is \$7,000,000.

The team has focused on certain areas of SCMUA where an effort could be made to develop cost reduction strategies to be competitive. Every effort was made to incorporate comments received from the Authority's Administrator, Board Members, County Administrator, and County Freeholder Board.

SALE OF LANDFILL

It is recommended that the Sussex County Board of Chosen Freeholders evaluate the sale of the landfill as the primary alternative for managing SCMUA's outstanding solid waste debt problem totaling about \$45 million that may have the least financial impact on county taxpayers. The following table provides an estimate of the stranded debt that would remain after a proposed sale took place. Responsibility for funding annual debt service payments on any remaining stranded debt would be borne by either Sussex County or the State of New Jersey, subject to a final disposition between these entities.

NOTE: The estimated market value of the landfill has been set at \$20 million based on an internal Authority Treasury analysis. This assumes that the values of landfills are rising with the pending closing of Fresh Kills Landfill and the acquisition of landfills by large waste companies.

Existing accounts payable obligations will need to be drawn against current balances prior to establishing actual cash available.

Funding Source	SCMUA	SALE	OTHER
Revenue Fund	305,419	0	0
Operating Fund	448,000	0	0
Bond Service Fund	1,880,966	0	0
Bond Reserve Fund	4,198,600	0	0
R & R Fund	1,519,060	0	0
General Fund	580,205	0	0
Construction Fund	0	0	0
Construction Fund, Ph II	859,626	0	0
Construction Fund, Series B	0	0	0
Private Entity (Estimate)	0	20,000,000	0
County Revenue Source	0	0	11,489,751
Subtotal	9,791,876¹	20,000,000	11,489,751

TOTAL

\$41,281,627

Whichever entity is ultimately responsible for funding any remaining stranded debt after the sale price and available cash balances are excluded, would represent a significant reduction in the debt service portion of the tip fee. A state sponsored issue to consolidate stranded solid waste debt into one large issue to lower annual debt service payments, would be more favorable and slightly lower cost. Using the example presented in the above table, to fully defease the existing Authority debt, a County backed issue would represent approximately \$11.5 million (including issuance costs) for A1 rated Appropriation Bonds that could be defeased over 20 years. The estimated annual level debt service is approximately \$935,000. To pay off this debt, the cost would be approximately \$11.69 (935,000/80,000 tons) based on tonnage generated throughout the County regardless of where the tonnage is being disposed. Terminating operations of the solid waste program as a whole would reduce expenditures by \$3.27 million, or \$40.87 off the tipping fee related to operating expenditures only.

NOTE: The county-wide tax impact based on the 1997 net value of taxable properties would be .01175 per 100 of assessed valuation or approximately \$15.11 per annum based on the average county property value of \$128,623.

Responsibility for payment of the Host Community Benefit Fee would be transferred to the private sector vendor acquiring the landfill totaling \$5 per ton off the tip fee.

¹ Note: Balances as of 12/31/97.

Taken together, the SCMUA would be relieved of any cost associated with administration and operation of a solid waste program except for a debt service requirement of \$11.69 per ton.

The County Freeholders have outlined for the Authority a less than aggressive competitive tax strategy for the solid waste market by restricting tonnage to only in-county municipalities. The proposal to sell the landfill:

- broadens the ability of the Authority to seek out-of-county waste;
- potentially funds the majority, if not fully funds 100% of, the debt obligation of the Authority based on the ultimate sale price of the landfill;
- reduces the amount of debt service assessed on each property owner in Sussex County;
- potentially eliminates payment of a host community benefit to the Township of Lafayette since the landfill property would no longer be tax exempt and, therefore, subject to property taxes;
- would retain the SCMUA's original mission as a wastewater treatment authority; and
- leave an annual debt service payment of \$935,000 to service the estimated remaining debt obligation after the sale of the asset.

If the private owner/operator of the Sussex County landfill is chosen as the solid waste disposal site, the per ton charges are estimated to be \$66.69 (\$47.30 tip fee, \$2.70 in taxes, \$5 Host Benefit fee, and \$11.69 in debt service for in-county tonnage) in order to remain competitive with the Warren County RRF.

If the County Freeholders choose to retain control of the landfill, the primary solution for funding stranded annual debt service payments would be to maximize revenue by either increasing the tip fee to the top end of what the market will bear; or identify other sources of revenue, such as county taxes to offset certain costs. We note that the authority has adjusted tip fees upward, from \$58 per ton to \$65 per ton for municipal type 10, and from \$75 per ton to \$85 per ton for type 13.

OPTIONAL SOLUTIONS EVALUATED BY SUSSEX COUNTY SOLID WASTE TASK FORCE

The SCMUA established a task force to evaluate options for determining a funding solution to meet annual debt service payments on the Authority's outstanding debt. Some of these options require a Solid Waste Management Plan Amendment. The options included:

- Sell solid waste facility
- Refinance existing debt
- Franchise Solid Waste Districts (3-4 sub-districts for competitive bidding)
- Establish Solid Waste Service Tax
- Compete in market place
- Lease facilities to private operator
- Integrate solid waste system by becoming both haulers and landfill owner/operators

Sell Solid Waste Facility: Authority does not expect to generate adequate proceeds from the sale to payoff the outstanding debt of \$44.9 million. However, an official market appraisal has not been done to determine the actual value of assets. The Authority currently estimates a value for the landfill in the \$10 to \$12 million range which may be low based on Warren County's market appraisal estimate on its landfill which exceeded the PCFAWC's outstanding debt.

NOTE: County Freeholders have discussed the option of dissolving the Authority, however, based on an opinion from bond Counsel, this alternative is no longer under consideration. However, the potential for consolidating the solid waste piece under the County's control and/or privatizing the landfill, is still under consideration.

Refinance Existing Debt: Authority recently refinanced long term debt in 1995 such that any future refinancing would be taxable. Debt is already backed by a County deficiency agreement.

Franchise Solid Waste Districts: Proposal is to establish three or four sub-county districts under the control of the SCMUA for competitive bidding of hauling services and amend bid specifications to identify SCMUA as disposal site. This proposal anticipates the need for an EIC or Solid Waste Services Tax. May need to amend Solid Waste Management Plan to implement alternative.

NOTE: Current tipping fee is not based on an operational audit or debt service requirement. Price is market driven.

Lease option would be similar to Warren County's lease to Eastern Environmental who presently operates the ash landfill for the PCFA.

Solid Waste Services Tax: Tax is established at County level and assessed on every property owner in County to fund stranded debt. Negative aspect is that it is not based on tonnage generated. A positive aspect is that its simple to implement and property owners can write it off their taxes.

Compete in Market Place: This strategy is presently in operation at the SCMUA and is the basis for the current average rate of \$70 per ton tipping fee. This option assumes a property tax or Solid Waste Services Tax will be implemented to pay for stranded debt.

Lease Landfill to Private Operator: Private operator becomes responsible for operations and risk. SCMUA would continue to be responsible for closure costs and funding stranded debt through an EIC or Solid Waste Services Tax.

Integrate Solid Waste System: SCMUA becomes both haulers and disposal site owner/operators. County subsidies would be needed to fund a larger operation and staff.

ACQUISITION OF CONTRACTS WITH MUNICIPALITIES

The SCMUA has been unsuccessful in generating interest from municipalities to join in a contractual agreement to guarantee a certain amount of tonnage and an income stream to assist the landfill in resolving its outstanding debt problem. As market forces determine the tipping fee and efficiency and volume determine profitability, the total amount a municipality pays for the handling and disposal of solid waste will be determined by how competitive each entity becomes.

At the same time, SCMUA and the County Freeholders are espousing their desire to retain a self-sustaining solid waste disposal program through the exclusion of outside waste from neighboring counties. The result of self sufficiency will only raise the bar in terms of overall cost of the program. The municipalities failure to see that guaranteeing a steady flow of tonnage to the SCMUA and instead looking for an opportunity to save taxpayer dollars by going with a competitive hauler to a non-county landfill site, will only force the Authority to turn to a deficiency agreement it has with the County that much sooner to fund a projected revenue shortfall to meet its debt obligations. How that revenue shortfall will be distributed to each county taxpayer has not been determined. The most equitable way is based on tonnage generated per community. If the SCMUA cannot remain competitive and attractive to its in-county communities, these municipalities will look elsewhere for a more cost effective disposal alternative.

NOTE: The only transfer station in Sussex County is located at the landfill site which is currently not used as a transfer station. It is presently used as a storage and recycling center.

As discussed above, SCMUA has indicated a concern regarding the fact that Waste Management, the current solid waste hauler who delivers the bulk of the County's solid waste (approximately 60%) to their landfill site, may be looking to relocate to alternative disposal sites outside the

County. The hauler has been awarded a contract to operate two transfer stations in Morris County. With that award, they now have proximity to I-80 and are equidistant to Oxford Township in Warren County (site of Warren County's RRF) and Lafayette in Sussex County. With I-80 offering convenience to Pennsylvania landfills, the hauler may be in a unique situation to control solid waste in the northwestern tier of the state. Several scenarios could develop on a regional basis following the award of the Morris County transfer stations:

- a) Essentially, the operator of Warren County's incinerator could benefit if they established a competitive tipping fee. SCMUA would lose its market share because its solid waste flow could potentially be transferred to Warren or to Pennsylvania. This would result in the SCMUA having to terminate operations on its landfill and possibly sell the site to reduce outstanding debt.
- b) Warren County could lose a portion of its solid waste flow through a Morris County transfer station if its rate is not competitive with Pennsylvania landfills and possibly the Union County Resource Recovery Facility.
- c) Sussex County could encourage its municipalities to bid for solid waste pickup services or allow the SCMUA to bid for a county-wide contract and specify in their service contract(s) that the haulers use the SCMUA landfill for solid waste disposal. This would essentially guarantee a steady stream of tonnage from each of the 24 municipalities and legally enjoin these communities to long-term contracts.
- d) The landfill is sold and the SCMUA/County implements a county-wide solid waste collection and hauling contract under a competitive bid. In addition, the SCMUA/County competitively bids directly with solid waste disposal sites and RRF's which controls tipping fees. The County issues Appropriation Bonds or the State of New Jersey consolidates statewide solid waste debt to finance any remaining debt obligation after the sale of the landfill. The private owner/operator is responsible for imposing a Host Benefit Fee per ton.

The municipalities of Sussex County and any county for that matter, have an obligation to be part of an overall solution for resolving a debt crisis that may ultimately affect the tax rate of the County. In the end, all county residents may be assessed a tax to provide needed revenue to the SCMUA, which would not be necessary or as costly if the fourteen municipalities, who ask their individual property owners to contract with a solid waste hauler, chose to cooperate.

It is recommended that SCMUA continue negotiating with its local municipalities to offer to prepare a non-discriminatory county-wide competitive bid package for solid waste pickup and hauling services as discussed in item (d) immediately above. A recent Deputy Attorney General's opinion stipulates that existing statutes exempt municipalities under the CAP Law if they choose to implement a solid waste service contract for the first time².

² Refer to Section on Legislative Constraints, page 38.

The county tax would be charged based on tonnage generated from each municipality to cover the annual debt by the County to satisfy its deficiency agreement service payment on the outstanding debt. Combined, these two initiatives, a county tax and a county-wide contract, will reduce the amount of revenue needed annually to satisfy obligations regarding the Authority's outstanding debt. With these agreements, each municipality would be billed more equitably based on the tonnage generated and the local municipal tax assessment could then be written off of federal taxes.

NOTE: Appendix D provides a Table developed by the Director of SCMUA comparing the cost of issuing a Service Tax based on tonnage vs. valuation. Tonnage is the most equitable.

The County Freeholders are aware that out-of-county solid waste does represent one solution for paying off their stranded debt. If additional solid waste tonnage of approximately 46,900 tons per year were brought to the Authority from out-of-county sources and the Authority retained a tipping fee of \$58³ per ton, the SCMUA would generate sufficient revenue to meet its annual operating and debt service expenditure obligations. Please review the following example:

	<i>In Tons</i>	<i>@ Rate of \$70/ton</i>
Current annual tonnage estimate	90,000	\$6,300,000
Revenue from other sources		303,000
Potential revenue required		<u>937,000</u>
TOTAL		\$7,540,000 ⁴
2000 Budget		\$7,940,000

NOTE: In this example, the proposal assumes that the County would assess a Host Community Fee county-wide at an average assessment of \$6.43 per year. As a result, \$400,000 in expenditures has been shifted to the County. Refer to section on Host Community Benefit Fee.

If the landfill is to be retained and operated by the SCMUA, **it is recommended that the SCMUA should immediately begin efforts to maximize revenues** as recommended in the example above. This example assumes that county municipalities have agreed to contract with the SCMUA under a county-wide collection and hauling contract as part of the overall solution. In addition, the County would assess the Host Community Benefit countywide. The potential outcome of this approach includes:

- a) Maximizing tonnage to the Authority;
- b) an opportunity to eliminate or significantly reduce the amount of revenue necessary to service the stranded debt;

³ The rate per ton is based on municipal solid waste only. In actuality, the average rate per ton is \$62 based on the other types of waste received at the facility.

⁴ Reflects transfer of responsibility for \$400,000 in Host Community Benefit to County.

- c) buys time such that after the potential settling of the industry over the next two years, the tipping fee may be able to rise as the market stabilizes; and
- d) capacity of landfill may be used more quickly, however, impact on taxpayer is minimized and debt is serviced primarily by solid waste generators.

NOTE: The Administrator of the Authority indicated that two requests have come in from Morris County to dispose of solid waste that have been turned away.

The reason for targeting 90,000 tons is to:

- identify the minimum tonnage normally generated in-county;
- acknowledge the challenge in a competitive market environment to attract tonnage to the SCMUA;
- respond to the County Freeholders concern that the landfill retain its planned life expectancy; and
- attempt to at least retain its original market share as it had in past years.

HOST COMMUNITY BENEFITS AGREEMENT

N.J.S.A. 13:1E-28 requires that a municipality within which a sanitary landfill facility is located pursuant to an adopted and approved district solid waste management plan shall be entitled to an annual economic benefit not less than the equivalent of \$1 per ton of solid waste accepted for disposal at the sanitary landfill facility. As a result of this statute, the SCMUA and the Township of Lafayette entered into a Host Community Benefit Agreement. The following is a synopsis of that agreement.

NOTE: One official on the Sussex County Freeholder Board stated that the Host Community Fee would be difficult for the County to absorb. LGBR disagrees. The \$400,000 fee could be assessed at a rate of .005 per 100 based on the County average property value of \$128,623. This would amount to \$6.43 per year, per property county-wide, including Lafayette Township.

Upon the opening of the landfill, the SCMUA was required to give the Township a one-time payment of \$100,000. That money was to be used and applied towards the purchase of a solid waste collection vehicle and a curbside recyclables collection vehicle. Besides this one-time payment, the SCMUA is required to pay the Township an annual amount of money based on solid waste tonnage that enters the landfill. This payment is in-lieu of taxes on the land. This payment is based on a charge of \$5 per ton of solid waste accepted at the landfill for final disposal. The authority recently eliminated the minimum annual payment requirement of \$400,000. For the year ended December 31, 1996, the Township of Lafayette received cash payments equaling \$441,514 in Host Benefits from the SCMUA. This annual payment alone represented 22.81% of all the revenues collected by the Township.

In addition to both the initial payment and the annual payments, there is also a non-transfer of cash benefit. This benefit allows for the free disposal at the landfill of all non-hazardous residential and commercial solid waste, including bulky waste, generated within the Township of Lafayette and which is collected and delivered by the Township. If the Township's waste is brought to the landfill for disposal by private carters/solid waste collectors, the above noted benefit does not apply. In 1996, the Township of Lafayette brought 3,861 tons of solid waste to the SCMUA's landfill. If this tonnage were to stay the same for 1998 and the current tipping fee of \$58 was applied, the Township is receiving an additional benefit by saving \$223,938 in disposal costs that would normally be collected by the SCMUA.

When both the annual benefit and the free disposal costs are considered, the Township of Lafayette is receiving a total Host Community Benefit of approximately \$665,452. This equates to a more realistic cost per ton of approximately \$8.32 (\$665,452/80,000 tons).

In the event of a significant change in the Sussex County Solid Waste Management Plan, concerning types of waste disposed of at the landfill, the manner of disposal, the commencement of out-of-County waste being disposed of at the landfill pursuant to a Redirection Order of the NJDEP, or should any ash residue other than ash generated by approved in-County medical waste incineration commence being disposed of at the landfill, the Township has the right to renegotiate the Host Community Benefit package.

The SCMUA Administrator, and a committee of commissioners, in January, 1998, attempted to negotiate a possible change to the host community fee with the Lafayette Township Committee to engender a more favorable fee based on the Authority's decision to lower its tipping fee from \$110 to \$58 to remain competitive in attracting solid waste to the SCMUA landfill. The host fee is currently included within the tipping fee per ton. Negotiations have not been fruitful. The Committee believes that they were promised the receipt of \$5 per ton and a minimum of \$400,000 per year plus free solid waste disposal totaling approximately \$265,000 annually because they were the only community in the County to accept the siting of a landfill. Subsequently, we were informed that the township agreed to waive the \$400,000 minimum annual payment. In 1998, the SCMUA paid \$344,196 to Lafayette in Host Community Benefits.

NOTE: A proposal to reduce the host benefit fee charge may serve as an incentive to municipalities to join a county-wide solid waste contract. County representatives indicated that the communities now paying believe the fee assessment is too high for Lafayette Township.

The SCMUA is in a quandary due to its inability to project how the impact from a number of actions may effect solid waste flow and how the market will play out over the next 12 to 18 months. The Authority and the 24 communities of Sussex County need to evaluate the opportunity available to them to save money long-term by either selling the landfill or sending their solid waste to the SCMUA in addition to maximizing revenues.

If the landfill is retained, first, it is recommended that the SCMUA or the County take responsibility for a county-wide collection and hauling contract that specifies the County

landfill as the disposal site. Secondly, as stated in other reviews, it is recommended that the SCMUA should entertain all options available to them to reduce and/or transfer this Host Community Benefit to the County. It is noted, however, that trying to reduce the benefit may be very difficult, due to the large impact that this would have on the Township of Lafayette's budget. It is more likely that the SCMUA would be able to transfer this cost to the County. A reduction of the \$400,000 minimum Host Community Benefit from the SCMUA's budget would result in a \$5 decrease in the tip fee ($\$400,000/80,000$ tons). Consideration should also be given to trying to eliminate or reduce the clause which allows for the free disposal of Lafayette's solid waste, provided that it is collected and delivered by the Township. This results in annual lost revenue to the SCMUA of approximately \$223,938, which is equivalent to a \$2.80 reduction on the tip fee ($\$223,938/80,000$ tons).

We also support the elimination of the current minimum payment for the Host Community Benefit of \$400,000 from the host community fee agreement with the Township of Lafayette. This does not represent a savings on the tipping fee, however, it does represent an existing source of concern described by a member of the County Freeholder Board. We have been advised by authority officials that this action has already been implemented.

Finally, it is recommended that the SCMUA should approach the Township of Lafayette to eliminate the clause that allows the Township to renegotiate the Host Community Benefit under certain circumstances (ex., Modification to the County Solid Waste Management Plan). If this were to occur, the Township would be seen as a partner to solving the financial crisis that the SCMUA is currently under.

CLOSURE FUND MANAGEMENT

As of December 31, 1997 the Cell Closure and the Future Landfill Post Closure accounts held \$2,480,170 and \$3,859,995, respectively. The County Board of Chosen Freeholders indicated their concern that any acceleration of solid waste deliveries from outside the County would dramatically shorten the life of each cell or phase of the program such that capital planning and related expenditures would also need to be accelerated. The Freeholders want to protect the planned life of the landfill through the year 2013 in conjunction with the defeasance of their existing long-term debt.

NOTE: The SCMUA has one of the few NJDEP approved Landfill Closure Plans in the State of New Jersey.

State and federal regulations require that the Authority place a final cover on each of its four phases of development of the landfill site and to perform certain maintenance and monitoring of the site over the next thirty years after closure of its entire landfill operation. The phases are scheduled to extend over the following years: Phase 1 closes in 1997; Phase 2A - 1997 through 2002; Phase 2B - 2002 through 2007; and Phase 3 - 2007 through 2013. The SCMUA's Closure and Post Closure Plan dated April 15, 1996 indicates that costs are projected to total \$43.2

million (Closure: \$7.5 million and Post Closure: \$35.7 million). Closure is projected to begin in 2014 and finish in 2015. Post Closure monitoring will begin in 2014 and conclude in 2043.

NOTE: In response to a proposal from the Director of the County Board of Chosen Freeholders, the Administrator of the SCMUA projected the cost of closing the landfill immediately, as a temporary or permanent arrangement. The analysis determined that annual expenditures are projected to total \$5 million with the largest cost being to meet debt service obligations of \$4.6 million. Closure of the two open cells is estimated to cost \$2.5 to \$3 million which may or may not be authorized for funding by NJDEP from the existing Post Closure Care Escrow Account.

These funds are mandated by the New Jersey Department of Environmental Protection (“NJDEP”) and are based on an NJDEP approved Post Closure Care Plan. The Authority presently deposits \$1 per ton of its solid waste landfill charges into its Post Closure Care Escrow Account as per NJDEP requirements. In addition, the Authority has been funding the Cell Closure account in accordance with GASB #18 which requires that the cost associated with the closure of a landfill be recognized based on an Authority’s solid waste landfill **use** rather than on the passage of time. The Authority continues to fund this liability each year.

If a sale of the landfill were to proceed as described under the Sale of Landfill Section, then the funds accumulated would be considered liabilities that would be purchased by the owner/operator of the landfill and should be reserved for that purpose.

DEBT SERVICE PROGRAM

The Authority has two Revenue Bond issues, 1988 Series A and 1993 Series B Solid Waste Revenue Refunding Bonds. The Series A bonds outstanding total \$4,912,757 and the Series B bonds outstanding total \$40,345,000 and will be fully defeased in 2002 and 2013, respectively. There would be no benefit in the Authority refunding a second time because a refinancing would result in a taxable issue.

The tipping fee, effective December 1, 1997, totaling \$103 per ton, was designed to generate sufficient revenue to fund annual debt service payments in 1998. Imposed rates for type 10 municipal waste of \$58 per ton include approximately \$12 set aside for annual debt service payments which total \$960,000 annually based on 80,000 tons per year. About \$50 per ton is required for the annual debt service of about \$4.5 million in 2001, based on 90,000 tons. The current average tip fee is \$70 per ton, leaving \$20 per ton for administration and other expenses.

NOTE: Using the 1997 Abstract For Ratables in Sussex County, a County tax assessment of \$.0575 per 100 would be necessary to generate the \$4.57 million needed to fund 1998 debt service obligations. This would amount to \$73.96 per year on an average home of \$128,623.

A deficiency agreement was authorized on April 28, 1987. The agreement also requires that any County contributions will be reimbursed by the SCMUA.

The SCMUA has a deficiency agreement with Sussex County which guarantees that debt service payments are met. If revenues are not sufficient through the Authority then the County must transfer funds to meet the Authority's obligations. The Authority has the remainder of this year to determine a solution for managing its outstanding debt problem. Reserves were adequate through 1999 to make all debt service payments and to meet operating expenditures.

Nevertheless, it is the opinion of LGBR that the existence of a deficiency agreement essentially means that the Authority issued "County backed bonds." As such, they are not technically considered "stranded" in the sense that the County is responsible for paying any shortfall in debt obligations. The debt is first to be paid through revenue generated from tipping fees. The difficulty was being able to retain its market share of tonnage from communities within Sussex County. However, if that market share is deficient, then the deficiency agreement kicks in and the County is obligated to pay. If Waste Management is beginning to transport tonnage to the SCMUA landfill, which they are apparently doing, a development of this magnitude could greatly assist the financial viability of the SCMUA.

NOTE: The SCMUA currently has approximately \$10 million in various unrestricted and restricted accounts which could be used in conjunction with revenues from the sale of the landfill to defease its outstanding debt.

It is recommended that the County direct the Authority to have a market appraisal performed on the landfill to determine its net worth. In Warren County, the landfill was found to be valued in excess of its current debt. This may develop into a similar opportunity for Sussex County. The County may be reluctant to proceed with a sale of the landfill because of its fear of a private owner attracting out-of-county garbage. However, this may serve as an opportunity for reducing and/or eliminating the Authority's outstanding debt and possibly eliminate the need for imposing a tax on county residents. This financial benefit cannot be overlooked.

If the County determines that the sale of the landfill is not feasible, then in conjunction with an earlier proposal to implement a county-wide solid waste collection and hauling contract, **it is recommended that the Authority identify additional sources of revenue, based on tonnage, as described in the following section, to satisfy the unfunded portion of the annual debt service payment that will not be generated through the current tipping fee of \$70 per ton.**

Every option should be taken advantage of to reduce operating expenditures prior to the imposition of any solution to service the annual debt obligation. If the reductions described under Administration and Land Fill Operations are carried out, the Host Community Benefit is transferred to the County, and a minimum annual projection of 80,000 tons, the cost of operations would drop from \$36.58 per ton (\$3,293,000/90,000 tons) to \$25.56 per ton

(\$2,300,765/90,000 tons), a reduction of \$992,235.⁵ This results in \$5.56 per ton in “stranded” debt.

NOTE: The equivalent of 90,000 tons is approximately 774 trucks per day, according to authority officials.

The County, in conjunction with the deficiency agreement, could be required to assess a tax to property owners county-wide, however, they may be limited by the number of lines allowed on a tax bill. In reviewing the Authority’s legal and contractual relationship with the County and with the County’s desire to remain self-sufficient, the conclusion that can be drawn is that a tax is the only solution at this time for meeting debt service obligations.

NOTE: The Administrator of the SCMUA indicated that a county tax could be modified annually to reflect actual revenue needs.

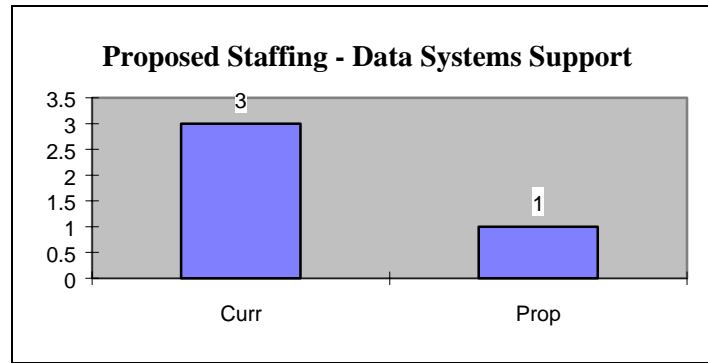
Any excess revenue generated from tipping fees that exceeds operating costs should be applied towards the annual debt service payment.

ADMINISTRATION

The SCMUA operates with eleven (11) staff assigned to administrative functions. Since the Authority is a mix of both Wastewater and Solid Waste budgets, it is important to note that the solid waste budget represents approximately 60% of the overall cost of administration. However, it should be pointed out that actual assignments cover areas from both departments and do not always blend easily into two (2) separate budgets.

Data Systems Support: One example of system sharing appears in Data System Analysis. Currently, the SCMUA employs three (3) people in the data input/computer area. These individuals coordinate reports, vouchers, wastewater testing data, and all other data functions involved with the Authority’s computers. While this extended coverage is indeed worthy of intense fact gathering, it reflects certain expertise rarely found in such a small operation. The coordination of this activity through a Data Systems Supervisor has served the Authority well through its computer growth and development, but could now most likely operate without the need for constant oversight by the Data System Technicians. The Data Systems Supervisor obviously could continue to meet the data tracking and service requirements of the wastewater and solid waste departments with support from Administrative Office staff if necessary for data input purposes. In addition, the County may wish to support this effort in the face of the current financial difficulties of the SCMUA by sharing its own staff on an emergency basis.

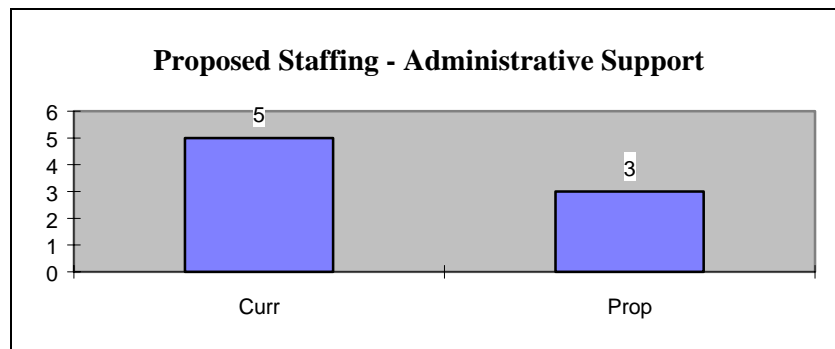
⁵ This is based on SCMUA ‘s 1998 Budget.



It is recommended that the data input staff be reduced from three to one thus eliminating the need for two Data Systems Technicians and saving approximately \$77,314 inclusive of benefits. The Solid Waste portion of the savings would total \$46,388, or 60% of the total. While a portion of the data processing requirements involve wastewater, a percentage also involves solid waste, thus one of the positions, a Data Systems Supervisor, is recommended to remain to perform continued wastewater work and voucher its customers.

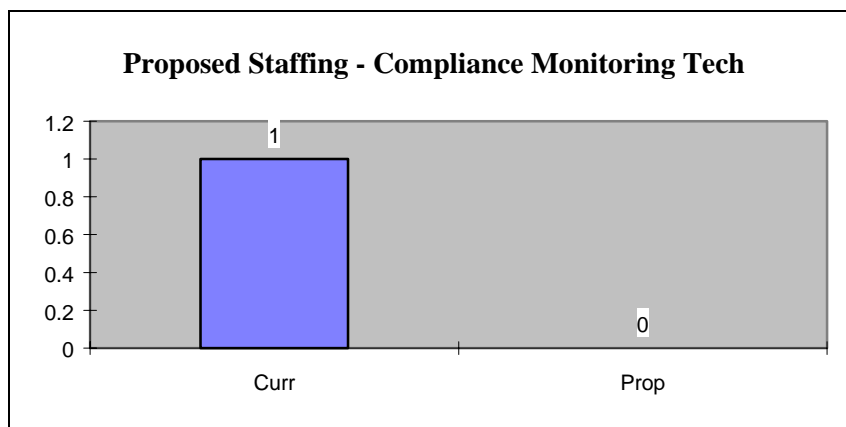
Administrative Staff Support: The SCMUA has an Administrative Staff of eleven (11) as previously mentioned, however, it also employs a Secretary, an Executive Secretary, an Administrative Assistant, a Senior Account Clerk, and an Office Manager which are shared between the Wastewater and Solid Waste departments.

Certainly the Administrator is entitled to and needs an Executive Secretary, however, he also maintains an Administrative Assistant. It would appear that the need for an Office Manager over these areas is a luxury which the SCMUA may not be in a position to afford at the present time. It would be appropriate for the Authority to review office procedures and establish office coverage among the Executive Secretary, the Administrative Assistant and the Senior Account Clerk. These three (3) individuals should be able to coordinate office functions and the Executive Secretary could provide a degree of supervision over these individuals. The remaining Secretary and Office Manager positions could be eliminated from the current structure without a severe loss to either the Wastewater or Solid Waste Departments. It should be mentioned here that as of the writing of this report, the Secretary may have been moved to an Assistant Weighmaster position. This will be discussed later in this report, but the savings of this position will be reported here since that salary has remained unaffected by this move.



It is recommended that the Authority eliminate the positions of the Secretary and the Office Manager recreating an effective but smaller structure in the administrative office. These two positions will result in total savings of \$105,370, inclusive of benefits, or \$63,222 for the value of solid waste positions alone.

Quality Control Support: Compliance and monitoring at the SCMUA has been centralized in a position which interacts with both wastewater and solid waste regulatory requirements, NJDEP permitting and laboratory findings and analysis. Of course, at the present time, enforcement within the solid waste area is nearly a moot point without flow control. Quality control, NJDEP permitting, and decal review remain concerns within the Authority umbrella. Following reviews in other areas, it has become increasingly evident that enforcement and permitting are now being pursued at broader levels of government involvement. It is suggested that the SCMUA pursue an inter-local services agreement with the County Health Department to provide compliance and quality control monitoring and that the Authority remove the staff position from its budget in the face of dwindling revenues. Specifically, the suggestion is to either eliminate the Compliance Monitoring Technician position as it applies to both wastewater and solid waste or transfer the cost of this position to the wastewater budget if the full position⁶ is warranted there. Finally, invite the County Health Inspectors to take over wastewater compliance monitoring roll and interact with NJDEP as needed.



It is recommended that the monitoring function be suspended at a savings estimate of \$47,425, inclusive of benefits. This position is fully funded from central services and the savings to landfill activity would be 60%, or \$28,455. Although this position may affect wastewater with its testing mandates, it also affects leachate treatment prior to its delivery. However, this testing process could be accommodated via County participation and licensed environmental/sanitation inspectors at the County Health Department. Should conditions change in the future that would warrant greater enforcement activities, this issue should then be revisited.

⁶ The Compliance Monitoring Technician inspects 50 plus well heads county-wide each year and assists in taking water samples at wastewater plants which this position is not certified to perform.

The savings identified within the administrative structure amounts to \$230,109, inclusive of benefits, or \$138,065 for the solid waste position alone. This amounts to a \$1.72 reduction in the tipping fee.

EMPLOYEE POLICY MODIFICATIONS

In its review of personnel policies at the Authority, the review team found that the current overtime policy allows accrual of time to begin at 35 hours which is the standard work day for the SCMUA. It is both state and federal law that allows overtime to be linked to the national work week standard of forty hours. Therefore, **it is recommended that the overtime policy be amended to stipulate that overtime pay will begin after the completion of forty hours in any one work week.** In 1997, Administrative employees working over 35 hours earned \$7,817 in overtime pay. Data Systems employees working over 40 hours earned \$11,757 in overtime.

In addition, the review team found that the Authority authorizes both three (3) days of administrative leave as well as three (3) days of personal leave in addition to the other standard leave policies. The benchmark for most governmental entities is three days, whether they're called personal or administrative leave. The Authority's policy appears to be excessive and allows for additional unnecessary overtime accrual. **It is recommended that the administrative leave policy be reduced to a standard provision of three days total. Elimination of the additional three days would save approximately \$5,581 as a value of productivity for solid waste staff.**

It is also suggested that the Authority look at assigning bereavement leave to accumulated sick leave which would eliminate a reason for retaining administrative leave. Those employees who serve as voluntary firefighters could have a special arrangement that allows the necessary time off for emergency purposes which is not available to other employees. This applies to two positions at the Authority.

SUSSEX COUNTY LANDFILL OPERATIONS

The Sussex County Landfill operates with a staff of 25 individuals assigned to three (3) major areas or divisions, which include: Operations, Maintenance and Weighing. In addition, the Landfill employs a Marketing/Recycling Coordinator to perform work specific to recycling and marketing of other SCMUA services. The entire Solid Waste Division is under the supervision of a Solid Waste Superintendent.

NOTE: The Authority hires three (3) part-time employees through the Easter Seal Society to perform the sorting of recyclable materials.

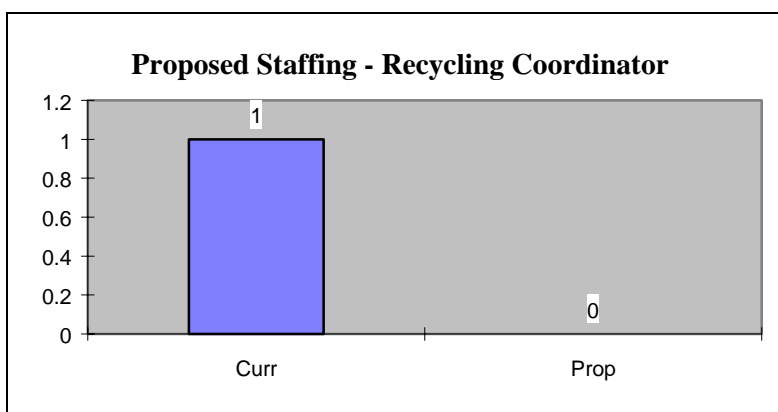
From an administrative position, the Landfill employs an Operations Foreman, one Chief Weighmaster, and a Maintenance Foreman. These individuals directly supervise their various areas beneath the Superintendent. This section of our review will focus on these three areas as

well as the Recycling Operation. Of course the main effort in this report will be aimed at organization and personnel costs in the face of growing debt and possible refinancing. It is with these concerns in mind that the following recommendations are made.

NOTE: The Administrator of the SCMUA indicated that a \$50,000 Recycling Public Education Grant was not anticipated in the 1998 Budget as had been received in prior years.

Recycling: Sussex County has a small recycling operation with a great deal of residential participation. While the County has made some inroads into recycling, the tonnage generated in Sussex County is negligible. In fact, the limited tonnage amount collected forces the Authority to truck the material to the vendors willing to accept the materials as opposed to vendors coming to collect recyclable materials as is the case in larger operations. Sussex County is a rural county with very few municipalities tied into long term contracts. Therefore, the wasteflow from recycling is insignificant as it affects the total overall operation. However, SCMUA has employed a full-time coordinator to operate the county recycling operation, maintain municipal liaisons, interpret NJDEP rules, and maintain contact with various vendors who supply a resource for recycling such as paper, corrugated, metal, and glass. In addition, this position can market SCMUA services inclusive of the entire operation such as compost. Revenues generated from this recycling and marketing activity, however, have decreased over the past couple of years. Current revenue estimates show only \$70,000 supporting the 1998 Budget from these sales. While this figure may in some way justify the salary granted for the Coordinator's position, it does not justify the costs of sorting or trucking the materials to an interested vendor.

In addition, the Authority has indicated that the materials are shipped regularly. The marketing aspect of this position is indeed interesting and suggests the SCMUA may be in a position to attract additional revenue from outside county sources. Unfortunately, Sussex County does not provide a large recycling market as do many other counties in New Jersey.

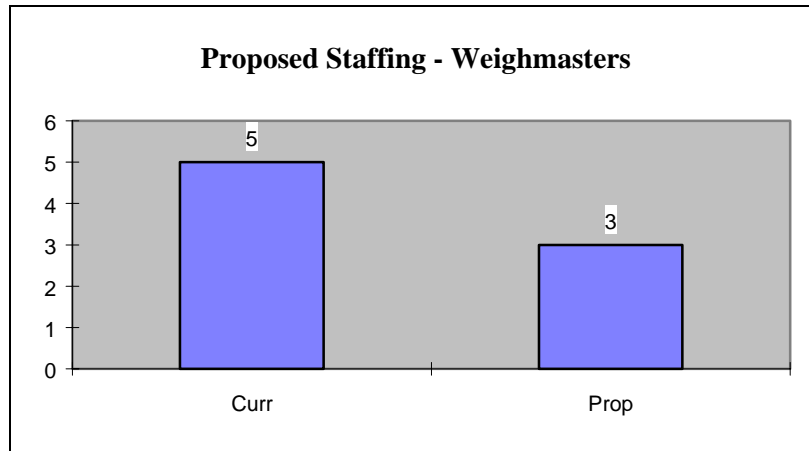


It is recommended that the Marketing/Recycling Coordinator position be phased out at a total savings of \$60,163, including benefits. Further we suggest the Authority mold the marketing function into the Director's position and enable him to represent the County in a real and forceful position with a possibility of incentive pay to increase potential tonnage estimates at

the landfill. Recycling functions should be returned to the County Health Department and provide coordinating activities with municipalities via direct county control rather than through the Authority. NJDEP indicated that 1998 will be the last year of the Recycling Public Education Grants due to the repeal of the recycling tax which adds further support to the proposal to consolidate recycling activities under the control of the County Solid Waste Advisory Coordinator.

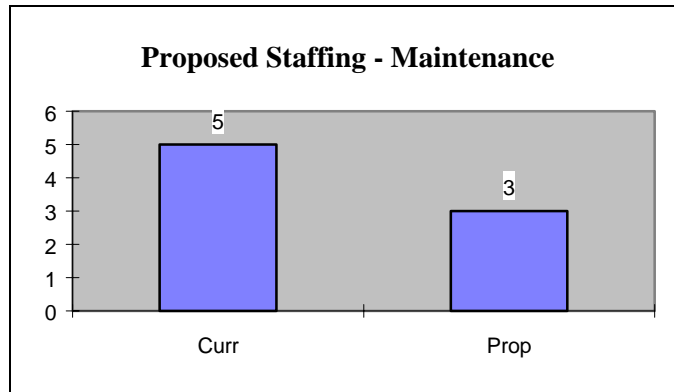
Weighmaster: The SCMUA provides two (2) trucking scales and two (2) residential scales for waste tonnage records and billing purposes. According to the Administrative Assistant of the Authority, the truck scales are attended by three (3) Weighmasters while the residential scales are normally staffed by one Weighmaster. On some occasions, the residential scale is handled by two (2) individuals when those scales are extremely busy on Saturdays. It should be pointed out here that the residential scales handle nearly 60% of the landfill traffic due to the rural nature of the County. Haulers are only contracted to a small portion of the municipalities. From a personnel perspective, the Authority currently staffs the two truck scales at the main gate with three (3) Weighmasters using one of the Weighmasters to control outgoing traffic. A fourth Weighmaster is used at the residential scale site, while the fifth Weighmaster is currently out on Workers' Compensation. The Authority is currently filling one of the Weighmaster slots with a Secretary that was formerly assigned to Administration, as was discussed in previous sections.

The SCMUA has stated that the NJDEP has mandated through its engineering permit for the landfill that no truck traffic be permitted to backup onto Route 94. The Authority argues, forces the need for extra coverage of the Weighmasters' scales. However, NJDEP records do not demonstrate actual truck deliveries causing this type of problem especially since the truck scales are located some distance from the highway. In addition, the Weighmaster titles granted through license application are not necessary at the residential scales where tractors are not present and since there has not been a traffic problem on Route 94. These facts suggest that the need for two (2) Chief Weighmasters is unwarranted. In addition, the larger truck scales could be maintained by two (2) Weighmasters rather than three. The third Weighmaster could actually act as a substitute or as the residential area Weighmaster under regular traffic conditions. Though one of the Weighmaster positions is staffed by the Secretary formerly assigned to Administration, we are only considering the Weighmaster positions, themselves, regardless of who fills them. Our conclusion to eliminate the Secretary position still stands, but is accounted for in the earlier section on Administration. Three (3) Weighmasters could efficiently operate the three active scales with little interference. The residential scales could effectively be maintained under pressure by a non-licensed individual should the need arise. While it is true the residential scales are abnormally busy, they only account for a small percentage (approximately 10%) of tonnage of landfill materials overall.



It is recommended the Weighmaster staff be reduced from five (5) to three (3) positions with a total savings of \$72,306, including benefits. The Secretary's position has already been eliminated and will not be further discussed.

Maintenance: The Sussex County Landfill also maintains a maintenance section with responsibility for all truck repairs, welding, preventive activity, and overall maintenance to much of the SCMUA buildings. Specifically, the Authority staffs this area with a Foreman, Heavy Equipment Mechanic, and three (3) Maintenance Assistants. The Foreman is a diesel mechanic while one of the Maintenance Assistants possesses a CDL license for driving the large trucks with air brakes. A second Maintenance Assistant performs duties comparable to a mechanics "helper." A third Maintenance Assistant is assigned to do janitorial work, light electrical repair, minor plumbing, and some other areas of general maintenance. Although truck maintenance appears to have been successful and has restricted the use of outside vendors, the assignment of the Maintenance Assistant to less complex helper tasks suggests that this position could be eliminated from the structure without hampering maintenance schedules. Of course this assumes the Foreman expands his vehicle maintenance activities with real "hands-on" performance in addition to his present specialty on diesel engines. In addition to this finding, we must comment on the maintenance activity performed by the Maintenance Assistant attached to buildings and grounds. Based on discussions with the staff, it would appear that much of this work is of a janitorial nature. We believe the County could cover these maintenance duties through an inter-local service agreement or the SCMUA could use a remaining Site Attendant, discussed under Landfill Operations below, to do general janitorial duties on a daily basis.



It is recommended that the size of the Mechanic's staff be reduced by one (1) of the Maintenance Assistant positions at a savings of \$42,963, including benefits. At the same time, the supervisor must become more involved with day-to-day repairs. **It is recommended that janitorial services be shared with the County and an additional position of Maintenance Assistant be eliminated** at a savings of \$41,068. The total savings in maintenance, therefore, would be \$84,031.

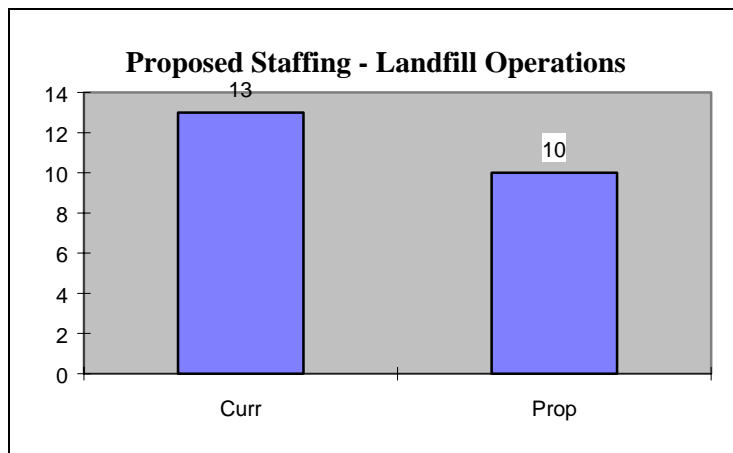
We have been informed by authority officials that this action has already been implemented.

Landfill Operations: The most challenging area to address is the landfill itself. The SCMUA must accommodate a daily flow of leachate at the landfill. While additional tanks and sometimes daily trucking of the leachate control this problem, long term options present difficult and probably untenable solutions. Many of the landfills already studied by LGBR pipe the leachate to neighboring or on-site facilities. This solution is not practical in Sussex due to the distance involved and could lead to additional non-subsidized costs. An engineering study performed by Camp Dresser & McKee ("CDM") demonstrated that the current trucking procedure for carting leachate to the County's Wallkill Wastewater Treatment Facility was the least costly solution to piping the leachate to the Wallkill plant. At present, the Authority has two (2) tractor trucks with 7,000 gallon tankers which move the leachate. There are four (4) Equipment Operator positions assigned to this transport activity. There are periods of downtime between runs where reorganization of duties can be considered. In addition, the need for two Equipment Operators to support truck transport of leachate appears excessive based on the duties required. It is recommended that one Equipment Operator position be considered for elimination.

NOTE: The CDM study demonstrated that both distance and buildup of hydro-sulfuric acid gas would cause pipe failures and increased maintenance to a pumping station due to the high strength nature of the leachate.

Actual landfill operations themselves, however, do have potential for operational efficiencies and reductions. The landfill presently is supervised by a Superintendent followed by an Operations Foreman and a Chief Equipment Operator. In our opinion, this layered supervision role cannot be justified by either tonnage delivered or staffing patterns. Consideration should be given for the Operations Foreman to supervise landfill activities directly while Maintenance could be supervised directly by the Maintenance Foreman reporting to the Superintendent. The Chief

Landfill Operator's role could also be eliminated in favor of two Lead Heavy Equipment Operators who could take the lead over three (3) Equipment Operators. The actual operation of the landfill at the equipment level would remain unchanged with the exception of possible job title realignments based on real abilities rather than seniority. This means that eight employees would continue to operate landfill equipment or tractor trailers hauling leachate. Currently, the landfill uses two (2) Laborers or Site Attendants to aid the eight operators in landfill operations. LGBR believes that one of these Site Attendant positions could be eliminated. As a possible substitute, one of the Equipment Operators could be used for this purpose in a limited fashion, when necessary.



It is recommended that the Chief Landfill Operator's position be eliminated to reduce a layer of management at a savings of \$62,862, including benefits. In addition, **it is recommended that the one (1) Equipment Operator or tractor trailer driver position be eliminated** for a savings of \$50,243, inclusive of benefits. Also, **it is recommended that one of two Site Attendant positions be eliminated** to save an additional \$26,230, including benefits. Taken together, the proposed savings totals \$139,335.

The landfill operates on a six day a week schedule. It has been landfill practice over the years to pay additional compensation for scheduled overtime on Saturday mornings. The opening of the landfill on Saturdays accommodates local resident as well as hauler needs, but has resulted in considerable overtime expenditures. Real thought should be given to restructuring the workweek to eliminate the need for unnecessary overtime costs. Possible scenarios could include the creation of a split work schedule during the week to maintain landfill hours (half assigned Tuesday through Saturday and the other half Monday through Friday). A second scenario could include bringing in one half of the work force one hour later and sending the other half home an hour earlier, thereby reducing everyone's workday by one hour. Enough hours could potentially be saved by this change to generate a 40 hour week including Saturday morning. Estimated overtime savings amount to \$98,444 based on a total of thirteen positions active on Saturday morning. This is most likely a conservative figure since it takes into consideration the new table of organization rather than the present structure which had more people employed, based on information provided by the administrative staff of the SCMUA. **It is recommended that the Authority implement a plan to redistribute employee hours to cover Saturday hours within**

a 40 hour work week and avoid overtime payments. Overall, total savings in landfill operations are estimated to be \$237,779 if all the recommendations are acted upon.

Summarizing the recommendations discussed under the three Operations areas (Weighmaster, Maintenance, and Landfill) the total savings is estimated to be \$454,279. Implementation of these savings initiatives would reduce the tipping fee by \$5.68 per ton.

SUMMARY OF ADMINISTRATION AND LANDFILL OPERATIONS

Generally, Sussex County is a bit different than surrounding counties since its Authority incorporates both Solid Waste and Wastewater. The team did only minor analysis of the Wastewater Division and only the applicable review of its connection to the landfill via leachate control and treatment. However, the team was careful to calculate the effort involved in its delivery to the sewer treatment plant. It was due to these considerations that the team suggested relatively minor changes in the operation of the landfill at large. Rather significant recommendations for reduction were made where layering seems to have been established with no reasoning and traditional patterns of supervision are not necessary. Recycling is still an important function but could be transferred to the county for better coordination of the service. Finally, LGBR contends that unnecessary maintenance, janitorial, and weighmaster positions only add to the burden of financial instability. These functions are luxuries which the average taxpayer cannot support when the entire agency faces serious economic stress from unplanned market conditions.

Based on the team's review of both the landfill operation and administration, the potential savings total \$592,344 or \$7.40 per ton.

PROFESSIONAL SERVICE CONTRACTS

The SCMUA presently has five professional service contracts which include:

General Counsel: Attends all Authority meetings and performs any and all legal functions as authorized and directed by the Authority at a rate of \$118 per hour.

Special Counsel: Performs certain special legal functions in connection with wastewater and solid waste facilities, NJPDES permits, watershed management planning as directed by the Authority at rates ranging from \$80 to \$245 per hour.

Special Counsel: Performs certain special legal functions as directed by the Authority in connection with wastewater, solid waste, NJPDES permit issues at a rate of \$120 per hour.

The 1998 Solid Waste budget for special counsel totals \$15,000 which is comparable to the 1997 Budget. Actual expenditures for 1997 totaled \$1,228. The 1998 Central Services budget totals \$20,000 for Special Counsel of which 60%, or \$12,000 is estimated to be related to solid waste

operations. However, actual expenditures for 1997 totaled \$23,923 of which the bulk was related to legal activity involving delinquent payments.

Bond Counsel: Performs special legal services in connection with the issuance of obligations for the various projects the Authority may construct at rates ranging from \$95 to \$295 per hour. These expenses are paid from the issuance of notes or bonds.

Auditor: Performs annual audit of operating accounts, landfill tax, deferred compensation plan, and other assignments as requested. The 1998 Solid Waste budget for auditing/ accounting fees totals \$3,000, whereas, actual expenditures were non-existent. The 1998 Central Services budget totals \$24,000 of which 60% or \$14,400 is related to solid waste operations. Actual expenditures totaled \$20,075 to perform the Authority's annual audit.

Consulting Engineer: Provides engineering and project management services incidental to the operation and development of the Authority's wastewater treatment and solid waste facilities at rates ranging from \$62.50 to \$131 per hour. The 1998 Solid Waste budget provides \$102,000 for project related work due to activity to close one cell and open another and to complete an update of the landfill permit due every five years which is \$12,000 greater than the 1997 Budget. Actual expenditures totaled \$73,755 in 1997. The 1998 Central Services budget provides \$22,000 of which \$13,200, or 60% is related to solid waste services. Actual 1997 expenditures totaled \$12,687 for attending board meetings and general engineering assistance as directed by the Board.

The Authority's annual expenditures for professional services appear reasonable. The professionals are considered very good in their field and the nature of their expertise and utilization is based on specific regulatory, project, or legal requirements.

LEGISLATIVE ISSUES

CAP Law

The County Freeholders have indicated that municipalities are disinterested in participating in a solid waste solution in which they are asked to establish a municipally run hauling and collection program because of concerns about exceeding the budget "CAP." Since most of the communities in Sussex County have never provided solid waste pickup, the communities who implement a solid waste program will be subject to budget CAP restrictions. A recent Deputy Attorney General's opinion has indicated that there is an exemption in the CAP Law under N.J.S.A. 40A:4-45.3H. The Local Finance Board is expected to issue a notice shortly to explain this.

Pass Through of Savings

The County Freeholders have indicated that they are seriously concerned that contract haulers are not passing through savings or tipping fee reductions to the municipalities or individual solid waste generators. Three towns in Sussex which do their own hauling (i.e., Hopatcong, Stanhope, and Stillwater) experienced immediate savings when tipping fees were reduced. The County would like to see the State of New Jersey, through regulation, rules or legislation, require haulers

to pass through the savings immediately or allow municipalities to reopen their contracts with contract haulers to negotiate a reduced tipping fee amount.

LOCAL GOVERNMENT BUDGET REVIEW TEAM

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Peter Lawrance, Deputy State Treasurer
Robert Mahon, Director, Local Government Budget Review
JoAnne Palmer, Deputy Director, Local Government Budget Review

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Ulrich Steinberg, Director, Division of Local Government Services

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